

## Message Text

SECRET

PAGE 01 SINGAP 01047 140343Z

21

ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

COME-00 TRSE-00 CIEP-01 OMB-01 AID-05 XMB-02 /071 W

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R 140247Z MAR 75

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 2151

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

CINCPAC

S E C R E T SINGAPORE 1047

E.O. 11652: GDS

TAGS: PFOR, SN

SUBJ: FY-1976 PARA FOR SINGAPORE

CINCPAC ALSO FOR POLAD

REF: A. SINGAPORE A-14 OF FEB 7 '75

B. SINGAPORE 0996 (NOTAL)

IN LIGHT OF GOS FINANCE MINISTER'S BUDGET SPEECH TO PARLIAMENT ON MARCH 3 AND ECONOMIC SURVEY OF 1974, TOGETHER WITH SUBSEQUENT ANALYSIS REPORTED REF B, EMBASSY HAS REVIEWED ECONOMIC ASSESSMENT PORTION OF ITS DRAFT OF FY-1976 PARA (REF A) AND WISHES TO SUGGEST CERTAIN MODIFICATIONS AND ADDITIONS, BOTH NARRATIVE AND STATISTICAL. THE RECOMMENDED REDRAFT BEGINS WITH SECTION I, PARA B COUNTRY BACKGROUND "INTERNAL" ON PAGE 1 AND CONTINUES THROUGH LAST FULL PARAGRAPH ON PAGE 3. REMAINDER OF ECONOMIC ASSESSMENT REMAINS UNCHANGED. BEGIN TEXT:

WHEN THE FY-74 PARA WAS UNDER PREPARATION, SINGAPORE WAS RIDING THE CREST OF AN ECONOMIC BOOM. ECONOMIC GROWTH HAD RISEN 13 TO  
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PAGE 02 SINGAP 01047 140343Z

15 PERCENT ANNUALLY OVER THE PAST SEVERAL YEARS. TODAY SINGAPORE'S

LEADERS ARE WORRIED ABOUT THE PRESENT DECLINE IN THEIR ECONOMY AND ARE CONCERNED THAT THEIR SMALL ISLAND STATE WILL BE BUFFETED SEVERELY BY ADVERSE WORLD ECONOMIC TRENDS.

ALTHOUGH THE TOP LEADERSHIP CHARACTERISTICALLY ANTICIPATES THE WORST, THE ECONOMY HAS NEVERTHELESS PERFORMED RELATIVELY WELL GIVEN THE SEVERITY OF ADVERSE INTERNATIONAL ECONOMIC DEVELOPMENTS. SINGAPORE IS LOCATED IN THE HEART OF ONE OF THE MOST ACTIVE AREAS OF OIL EXPLORATION, AND THE SPIN-OFF EFFECT HAS HELPED TO CUSHION TO SOME EXTENT THE IMPACT OF THE ECONOMIC DOWNTURN. THE GDP (GROSS DOMESTIC PRODUCT) GROWTH RATE OF 6.8 PERCENT FOR 1974 IS TWO-TO THREE-PERCENTAGE POINTS HIGHER THAN WAS GENERALLY FORECAST AT MID-YEAR. ALTHOUGH THE ANNUAL FIGURE WAS BETTER THAN EXPECTED, THE RATE DID DECLINE DURING THE SECOND HALF OF THE YEAR. THE INFLATION RATE, WHICH REACHED A HIGH ANNUAL RATE OF 35 PERCENT LAST YEAR,

HAS DROPPED SUBSTANTIALLY. THE CONSUMER PRICE INDEX SHOWED ONLY A 13-PERCENT INCREASE FOR 1974. ONLY THREE MANUFACTURING INDUSTRIES APPEAR TO BE DEPRESSED SO FAR: ELECTRONICS, TEXTILES AND WOODWORKING. UNEMPLOYMENT IS NOT YET A SERIOUS PROBLEM. ALTHOUGH 17,000 WORKERS WERE LAID OFF IN 1974, MAINLY IN THE THREE INDUSTRIES CITED ABOVE, MANY OF THESE WERE IMMIGRANT WORKERS FROM MALAYSIA. THE CONSTRUCTION INDUSTRY IS ALSO DEPRESSED.

ALTHOUGH IT APPEARS SINGAPORE WILL BE ABLE TO WEATHER THE DIFFICULT PERIOD AHEAD, GOVERNMENT AND BUSINESS LEADERS REMAIN GENERALLY CAUTIOUS. THIS IS LARGELY BECAUSE SINGAPORE HAS NO NATURAL RESOURCES OF ITS OWN AND IS TOTALLY DEPENDENT ON FOREIGN TRADE. THEREFORE, A SLOWDOWN IN THE WORLD ECONOMY AFFECTS ECONOMIC ACTIVITIES IN SINGAPORE. THIS IMPACT HAS BEGUN TO BE FELT.

THE GOVERNMENT ALSO REMAINS CONCERNED OVER THE RISE IN THE COST OF LIVING, EVEN THOUGH THERE WAS SOME ABATEMENT OF INFLATION DURING THE LATTER PART OF 1974. DESPITE LARGE WAGE INCREASES IN 1974, REAL WAGES PROBABLY DECREASED FOR MOST WORKERS. ALTHOUGH THE GOVERNMENT

HAS SUPPORTED HIGHER WAGES TO HELP WORKERS MEET INFLATION FOR THE PAST TWO YEARS, THE GOS IS VERY CONSCIOUS THAT THE FLOW OF NEW INVESTMENT HAS GREATLY DIMINISHED AND IS WORRIED ABOUT THE EFFECT OF HIGHER WAGES ON SINGAPORE'S ABILITY TO COMPETE FOR ANY NEW  
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PAGE 03 SINGAP 01047 140343Z

SIGNIFICANT FOREIGN INVESTMENT PROJECTS. END TEXT. CRONK

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NNN

## Message Attributes

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